



OFFICE OF  
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224  
July 6, 2001

Number: **INFO 2001-0174**  
Release Date: 9/28/2001  
Index Number: 861.00-00

CC:INTL:Br.3:DBergkuist  
COR-111431-01



Dear [REDACTED]:

This is in response to your letters to Irwin Halpern dated February 15 and February 17, 2001, in which you requested certain general information concerning the interaction between the definition of "gross income" under section 61 of the Internal Revenue Code and the "source of income" rules in sections 861 through 865 of the Internal Revenue Code.

On June 25, 2001, the Internal Revenue Service published Notice 2001-40, I.R.B. 2001-26, which provides, in part, that: "The Internal Revenue Service and the Treasury Department are aware that certain persons are promoting the view that U.S. citizens and residents are not subject to tax on their wages and other income earned or derived within the United States based on the claim that the Internal Revenue Code imposes taxes only on income derived from certain foreign-based activities. The Service and Treasury are issuing this notice to inform taxpayers that this reporting position has no basis in law." A copy of Notice 2001-40 is attached.

As Notice 2001-40 addresses the issues raised by your inquiry, we have provided you with all the general information we have on this topic.

Sincerely,

Barbara A. Felker (I.D. #: 50-02271)  
Chief, Branch 3  
Office of the Associate Chief Counsel  
(International)